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SPECIAL MEMORANDUM BY THE ECA CONFERENCE OF MINISTERS ON AFRICA'S ECONOMIC AND SOCIAL CRISIS

Adopted at the

Nineteenth Session of the Commission held in
Addis Ababa from 24 to 28 May 1984

for presentation to the

1984 Second Regular Session of the Economic and
Social Council of the United Nations

and the

20th Ordinary Session of the Assembly of Heads of State and
Government of the Organization of African Unity

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UNITED NATIONS
ECONOMIC COMMISSION FOR AFRICA

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PREAMBLE

1. We, the African Ministers responsible for Economic Development and Planning, convening in Addis Ababa for the tenth meeting of the Conference of Ministers of the Economic Commission for Africa and the nineteenth session of the Commission from 24 to 28 May 1984 and acting for and on behalf of all the Governments and Peoples of Africa, have reviewed once again the economic and social crisis which has engulfed virtually the whole of Africa and which has become aggravated since the eighteenth session of the Commission.

2. We are most gravely concerned by the very alarming and significant deterioration in the economic and social conditions of the African countries, and in particular, by the effects of the drought which now affects thirty four (34) of our member States; and the devastating impact of the global economic recession which is still gripping the African countries with its attendant collapse in commodity prices, the unprecedented high level of interest rates, sharp exchange rate fluctuations, increased protectionism, balance of payments difficulties, mounting external debt and the decline in real terms of official development assistance.

3. Recognizing that the primary responsibility for the development of our economies rests with our governments and our peoples, African States, in accordance with the Lagos Plan of Action, have initiated measures at the national, subregional and regional levels to deal with the present grave economic and social crisis ravaging the continent. However, because of the scale and complexity of the problem, there is an urgent need for massive assistance from the international community to complement

and supplement our individual and collective efforts in dealing with the crisis.

4. It is for this reason that we are encouraged by the recent initiative of the Secretary-General of the United Nations, His Excellency Mr. Javier Perez de Cuellar. We have followed with deep appreciation the interest which he has shown in Africa's present economic plight since he assumed office. Between January 1983 and February 1984, he visited 17 countries in Africa south of the Sahara, where the situation is particularly grave, to assess the scale of the crisis personally. And since he launched his initiative in early 1984 to alert the international community about the rapidly deteriorating economic and social conditions in Africa, he has tirelessly focused the attention of the world on the situation of our countries and our peoples. We are also grateful to him for the report on the Critical social and economic situation in Africa (E/1984/68), which he is submitting to the 1984 second regular session of ECOSOC.

5. We commend and support the Secretary-General for the establishment, at the United Nations Headquarters, of an Advisory Group of senior officials chaired by the Director-General for Development and International Economic Co-operation and for the appointment of Dr. Adebayo Adedeji, Executive Secretary of the Economic Commission for Africa, not only as a member of the Advisory Group, but also and, more importantly, as his Special Representative for Africa's Economic Crisis. We also commend and support the establishment of a temporary office in Nairobi to assist the Special Representative in discharging this responsibility. We have noted with satisfaction that Dr. Adebayo Adedeji has acted expeditiously in setting up at the United Nations Centre in Nairobi his temporary office which became operational as of 16 April 1984. We are also deeply grateful to all those organizations and organs of the United Nations system which have acted promptly in seconding, either on a regular or an ad hoc basis,

officials to the office of the Special Representative. Specifically, we wish to mention UNDP, WFP, UNDRO, WHO, UNICEF, ILO, UNCTAD, the World Bank and, of course, ECA.

6. We must also express our appreciation to the Food and Agriculture Organization (FAO) and its Director-General, Dr. Edouard Saouma, for all the efforts he has undertaken over the past twelve months in focusing international attention on the most crucial aspect of the food crisis. We take note in particular, of his setting up in April 1983, of a special FAO/WFP Task Force on African Food Emergency and of his subsequent series of appeals to the international community to mobilize food aid, financial, material and other resources for the emergency and for agricultural rehabilitation in favour of these most seriously affected 24 African countries.

7. We also wish to express our appreciation to those bilateral and multilateral donors who have responded favourably to the initiative of the Secretary-General of the United Nations on the economic crisis in Africa.

8. Likewise, we are grateful to all those organizations, such as the World Food Programme (WFP), the World Food Council (WFC), the Office of the United Nations Disaster Relief Co-ordinator (UNDRO), the World Health Organization (WHO), the World Bank, the United Nations International Children's Emergency Fund (UNICEF) and the office of the United Nations High Commissioner for Refugees (UNHCR), which have been active in mobilizing resources for alleviating the effects of the crisis.

9. We commend the decision of the United Nations Economic and Social Council to make the critical economic situation in Africa the priority item for discussion at its second regular session of 1984, a decision which gave us the impetus to prepare this Special Memorandum on Africa's Economic and Social

Crisis during this nineteenth session of the Commission so that ECOSOC can take fully into account our considered collective opinion of the crisis and our proposals as to the kind of response we expect from the international community. It is, therefore, our sincere hope and expectation that ECOSOC will deal with this Memorandum with the solemn seriousness it deserves and take appropriate measures to assist the African member States in averting the impending catastrophe.

10. This Special Memorandum is also a follow-up to the resolution /CM/Res. 928 (XL)/ of the fortieth ordinary session of the Council of Ministers of the Organization of African Unity on the current critical economic situation in Africa which, after expressing the full political support of all African member States for the measures that the Secretary-General of the United Nations has taken to achieve increased co-operation and co-ordination among the organizations and agencies of the United Nations in tackling the African crisis, requested the ECA Conference of Ministers to consider the United Nations Secretary-General's initiative with a view to drawing up specific recommendations and present a report thereon to the forty-first ordinary session of the OAU Council of Ministers and subsequently to the twentieth ordinary session of the Assembly of Heads of State and Government of the Organization of African Unity.

11. This Special Memorandum is presented in five parts for ease of reference. Part I deals with the nature and causes of the crisis. Parts II, III and IV deal respectively with the emergency critical needs of the twenty-four most affected countries: the short- and medium-term measures which need to be taken to combat the crisis not only in the 24 most affected countries but also in all the 34 (including the 24 most affected countries) drought-prone countries and the long-term structural adjustment measures for the whole continent in accordance with the Lagos Plan of Action and the Final Act of Lagos. The main conclusions are presented in Part V.

I. THE CURRENT CRISIS AND ITS CAUSES

12. Africa's economic and social crisis has not developed all of a sudden in so far as it has existed since the mid-1970s as a result of the cumulative impact of a number of adverse factors both internal and external. The crisis has rapidly escalated and reached a critical level in the early 1980s, as a result of (a) widespread, severe and persistent drought; and (b) the rapidly deteriorating international economic environment. These two major factors have interacted to produce a crisis of development for African States and also to create economic and social problems of unprecedented proportions whose solution is beyond the ability of African countries, for many of whom the issue is that of sheer survival.

(a) The drought and its effects

13. The drought, which in the early 1970s was localized in a few countries in the Sudano-Sahelian region has now spread to thirty-four (34) countries, thus affecting coastal and other areas in Eastern, Central, Western and Southern Africa which were hitherto not affected by it. In fact the current drought is the most severe in this century. Rain deficits ranging between 40 to 80 per cent have been exprienced recently in Western and Southern Africa.

14. In addition, Africa has suffered, from time to time, from other natural disasters. Cyclones are a recurring phenomenon in the Indian Ocean Island countries. There have been earthquakes and volcanic

eruptions in some countries and recently some drought-affected countries have experienced deluge of rains causing severe flooding. Actually no less than 36 African countries have been affected by natural calamities.

15. The prolonged drought has led to serious food scarcity which has further exacerbated an already unfavourable food situation. It has triggered off critical famine, malnutrition, and related diseases, loss of human lives, sharp depletion of livestock, water shortages and severe dislocation of normal life and the fragile African economies. With regard to natural calamities, other than drought, recent statistics published by UNDRO indicate that between 1970 and 1981 more than 1 million people lost their lives and material damage amounting to about $US 46 million resulted from those calamities.

16. The food situation has deteriorated so drastically that in the 34 drought-stricken countries, the imports of cereals has increased from about 4 million metric tons in 1970 to over 23 million metric tons in 1982. To make matters worse, 24 of these countries are not only unable to produce enough food for their rapidly growing populations, but they also do not have sufficient resources to pay for food imports, and therefore have to depend, to a large extent, on emergency food aid. According to FAO figures, it is estimated that food aid requirements for 1983/1984 would be about 3.3 million tons, even after taking into account normal commercial imports. The actual food requirements is in fact much larger than this if one takes into account the fact that many of these countries are no longer in a position to meet normal commercial food imports.

17. In addition, the abnormally dry weather and the concomitant lowering of the water table has put extreme pressure on the vegetation where it is estimated that the usable extent of the pastoral area in the arid and semi-arid regions of Africa has been

reduced by 25 per cent since 1968. Much of this destruction has taken place in recent years. The serious rain deficits which many African countries have experienced since 1981, have led to severe reductions in stream flow regimes and basins with shallow water tables thus adversely affecting the availability of adequate water supplies for hydro-electric power generation, irrigation and fisheries. A case in point is the fall in the water level of the Volta Lake which has dropped by more than 10 feet below the minimum required for the Akosombo hydro-electric power plant to operate normally. This has drastically reduced the supply of electricity in Benin, Ghana and Togo to the extent that basic industries and services have to be operated at their lowest levels. Since May 1984 the hydro-electric power station has almost been closed down. Another example is Lake Chad which has shown a progressive decrease of its level since 1963. In 1973 the surface area of the lake had been divided by three and the volume by four. Since that date the lake has been cut into two parts, where the northern part dries up every year with only a small inflow through the "Grande Barriére". A third example is the decline in the average annual water yield for all the rivers reaching the Sahel. For the period 1968 to 1982, the water yield of those rivers shrank by 25 per cent. This deficit represents each year the equivalent of three times the assumed stored water of the Manatali Dam in Upper Senegal basin.

18. The emergency situation has also aggravated the movement of persons in search for food and water. Water for human consumption and animal husbandry, particularly in the rural areas, has been drastically reduced as a result of the drought. Wells and boreholes, which support the livelihood of thousands of small communities have dried up. In one southern African country, as many as 100,000 people have crossed the border to a neighbouring country which happens to be also a large food-deficit and drought-affected

country. In another East African country, it is reported that as many as 2.2 million persons were displaced as a result of the drought. Such a situation is also frequent in other affected countries, thus imposing great burdens upon public finance - because of the increase in expenditure - and leading to a host of undesirable social consequences.

19. The tragic consequences of the drought have been further aggravated by the increased disruption in the balance between the human/livestock population on the one hand and physical resources on the other, brought about by increasing human and livestock pressures on the shrinking physical resources and harmful human responses to the climatic variability and drought. Bush fires have also been rampant in the continent and these have accelerated the desertification process. Taking into account the fact that the Sahara Desert is advancing southwards at alarming rates (estimated at as much as 125 miles in one year), there is a real threat that our continent may, before long, become permanently plagued by drought and desertification.

20. Drought and desertification, which are fast-destroying the weak African economies, poses a long-term threat to the very survival of African people and their civilization. The gravity of the situation during the past six months has been such that one country after another in West, Southern, and even in North Africa have had to declare a state of emergency because of the ravages of drought.

21. The drought-cum-desertification threat must, therefore, be faced squarely by African Governments and peoples individually and, equally importantly, collectively. In order to be able to face it successfully, we are convinced that we would require increased and sustained international support, not only on an emergency basis but also on medium- and long-term basis, and not only in terms of food and financial resources but also in terms of scientific and technological inputs.

22. In recognition of the seriousness of the threat posed by drought, and with the view to finding a scientific explanation for this dangerous phenomenon, the eighteenth session of the Commission requested the Executive Secretary to organize a Scientific Roundtable to "examine the causes, periodicity, trends and effects of drought on the African economies and to propose measures that can be taken in the short-, medium- and long-term to deal with the problem". We are most grateful that the concerned United Nations agencies, notably, the United Nations Environment Programme (UNEP), the United Nations Sudano-Sahelian Office (UNSO), the World Meteorological Organization (WMO), the Food and Agriculture Organization (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), as well as the Organization of African Unity (OAU) rallied to the support of our Commission in the organization of the Roundtable. We are, however, distressed to learn from its outcome that no clear scientific explanation of the phenomenon as yet exists. This means that we must intensify our search for a scientific explanation of the phenomenon while we continue to take appropriate measures to deal with the consequences of the present climatic tendencies and trends.

(b) Global economic environment

23. The global economic recession of the last few years has played untold havoc on the economies of Africa. The impact of this global recession on trade, money and finance, coupled with the effects of the drought, has contributed to the aggravation of the current economic crisis affecting African States. The following five major critical factors have interacted to exacerbate the current crisis in Africa: (i) the collapse in commodity prices; (ii) a stagnation and decline in official development assistance (ODA) in real terms; (iii) the unprecedented high interest rates; (iv) the shift to a regime of sharp fluctuations of exchange rates; and (v) increased protectionism.

(i) Collapse in commodity prices

24. Available statistical evidence shows that between 1979 and 1981, African countries exporting coffee, copper, cocoa, bananas, vegetable oils and tea experienced sharp declines in prices per metric ton of these commodities. It is estimated that a loss in earnings of about $2.2 billion was suffered by countries exporting these commodities during the period 1979-1981 due to the fall in their prices. In addition, virtually all other commodities exported by Africa have experienced similar sharp declines in prices. These include, inter alia, bauxite, cotton, groundnuts, rubber, phosphates, tin and iron ore. It should also be emphasized that the decline in oil prices has negatively affected African oil-exporting countries. Therefore, when these other basic commodities are included, the figure would be considerably higher. The critical element is that since most African countries depend on a few primary commodities for the large portion of their export earnings, the collapse in the prices of major commodities has had a devastating impact on Africa's fragile economies. In the case of coffee and cocoa, the prices dropped by as much as 22.8 per cent and 47.0 per cent respectively.

(ii) Stagnation of and decline in official development assistance (ODA) and decrease in net capital flows

25. The net official transfers declined in 1983 compared to 1981 and amounted to $US 3.3 billion as against $US 3.5 billion respectively. Worse still, net capital flows declined sharply from $US 14.2 billion in 1982 to $US 7.8 billion in 1983. As a result, African countries have been forced to resort to commercial borrowing at high interest rates.

(iii) Dramatic increase in Africa's external debt

26. The debt situation of African countries is not a new phenomenon, but since 1980, certain developments at the international level have triggered off a series of interrelated activites to bring the matter to a crisis situation. For instance, developing Africa's outstanding external debt, including undisbursed sums, is estimated to have reached about $US 150 billion at the end of 1983 as compared to $US 143 billion at the end of 1982. As a proportion of the value of export of goods and services, the external debt of developing Africa rose from 138 per cent at the end of 1981 to 161 per cent at the end of 1982. The ratio is estimated to have reached 180 per cent in 1983, reflecting the acceleration of the indebtedness and the deterioration in the value of exports. A factor that continues to cause serious concern is the movement away from concessionary borrowing to private sources at onerous terms. For instance, in 1971, the share of private lending to Africa was about 32.5 per cent but this rose to about 39.5 per cent in 1980.

27. The average maturity of loans negotiated in 1971 was about 22 years as compared to loans negotiated in 1982 whose average maturity was only 15 years. At the same time, the average grace period for most loans fell from about 6 years in the 1970s to only 4 years in the 1980s. These figures are the weighted averages for all types of loans - concessionary and commercial. If we were to take the latter alone - i.e. commercial loans from the money market and the banking system - both the maturity and the grace periods would be substantially lower. From the available evidence, the maturity for this type of loans is about eight years with hardly any grace period.

(iv) Rising interest rates and debt servicing costs

28. The external debt situation described in the previous paragraph has been exacerbated by sudde

increases in interest rates and service charges which became more pronounced after 1980. These payments rose fairly gradually between 1973 and 1979 but showed a sudden jump in 1980 when the industrialized countries, especially the United States of America, increasingly raised the rates of interest to combat their domestic economic problems. The average interest rate on external borrowing was about 4.2 per cent in 1971 but rose to an all-time high level of 10.1 per cent in 1981. Africa, south of the Sahara alone has lost an estimated sum of about $US 470. 0 million in 1973 which represented interest payments and debt servicing. By 1982, the total loss of the much-needed resources through debt servicing had increased to over $US 3.2 billion. The ratio of debt service to export earnings for developing Africa as a whole amounted to 22.4 per cent in 1983 compared with 10.7 per cent in 1980. However, these averages conceal considerable disparities among member States. For many countries, particularly the least developed countries, their ratio of debt service to export earnings range from 30 to 60 per cent.

(v) Increased protectionism

29. Increased protectionism is also a great concern for African countries. Imposition of quotas as well as other protectionist policies including tariff barriers especially on agricultural products, and such non-tariff-barriers as trade restrictions, blockades and embargoes have also contributed to the stagnation in the volume of the region's exports between 1981 and 1983.

Conclusion

30. To sum up, it is imperative to stress the following points:

(a) Africa has found itself in a situation where it cannot generate additional incomes sufficient

enough to cover debt repayments as well as interest and service charges;

(b) The credit-worthiness of most countries is now in jeopardy. For instance, in its recent publication entitled Sub-Saharan Africa: Progress report on development prospects and programme, the World Bank has indicated that only nine African countries can currently borrow exclusively on its terms and four others can borrow on the basis of a blend of IBRD and IDA funds;

(c) Most African countries are now faced with the unpleasant task of having to drastically reduce their imports of capital goods, thereby slowing down their rates of growth at a time when poverty, disease, illiteracy, hunger and malnutrition need to be addressed;

(d) The global recession has virtually halted the growth in Africa's exports of both primary commodities and semi-manufactured goods. At the same time, as a result of the drought and famine situation affecting many countries in the region, those countries which can afford to do so had to increase their imports of consumer goods, especially food. The combined result has been an aggravation of the balance-of-payments crisis, which has shown a total deficit of $US 24.7 billion in 1982 for Africa as a whole. The fact that the current account deficits of African countries was reduced to about $US 14 billion in 1983, should not be interpreted as an improvement in the external imbalance of the African countries. It has to be understood that this was due to the severity of foreign exchange shortages which led to drastic reduction in imports of about $US 11 billion as compared to 1982.

II. MEASURES TO DEAL WITH THE CRISIS: THE EMERGENCY REQUIREMENTS

31. A concerted approach to the solution of the problem requires that action should be undertaken at three levels: emergency, short-, medium- and long-term measures.

32. In spite of the weak economic position of the affected countries, heroic attempts have been made by their governments and populations to face squarely the challenge posed by the emergency situation. Not only have the governments redirected resources allocated to development projects to the financing of the provision of critical urgent needs to the affected and vulnerable populations, in many countries, the people have also themselves made voluntary contributions at considerable personal sacrifice to assist the affected populations. But in spite of all these efforts that have been made by the individual countries concerned, urgent international action continues to be required to alleviate the adverse impact of drought on the economies and populations of the affected countries, and to minimize the tragic extent of human suffering in these countries.

33. Prominent among the critical needs of the countries requiring urgent action from the international community is food aid. Fortunately, international attention has been focused primarily on this area. In this connection, we wish to recall, with appreciation, resolution 1/83 of the 22nd Conference of the Food and Agricultural Organization adopted in November 1983 which, inter alia, stressed the need to intensify efforts to speed up the physical delivery of food aid

already pledged in order to reach the needy persons without delay, and to urgently decide, on additional food aid allocations to meet food shortages expected to arise before the next harvests in 1984. We urge the speedy and full donor response to this important resolution.

34. Important as it is, food is only one aspect of the emergency requirements which call for a more co-ordinated and integrated approach to the problem. Indeed, the Secretary-General has been stressing the importance of a co-ordinated, concerted and coherent approach in assessing and meeting the critical emergency needs of the affected countries. We note that his Special Representative will shortly be in a position to have an overview of the situation. We support the nine critical emergency areas calling for concerted action identified by the Special Representative and the agencies participating in the activities of his temporary office in Nairobi. These are: (i) food, especially cereals; (ii) water; (iii) transportation, storage and distribution of food, medicines and drugs; (iv) population displacement; (v) health; (vi) nutrition; (vii) livestock; (viii) income-generating relief projects; and, (ix) energy.

35. In the same context, we also wish to express our full support for the seven areas identified by the Special Representative to which due attention should be given with a view to strengthening the preparedness of the affected countries for future emergency situations since drought has turned out to be a recurrent phenomenon. These are: (i) provision of inputs for subsequent planting seasons e.g. seeds, fertilizers and pesticides; (ii) establishment of security reserves of food, medicines, vaccines, fodder and water; (iii) establishment of effective and reliable early warning systems; (iv) establishment of permanent national structures or mechanisms to cope with emergency situations; (v) formulating national programmes

and policies to deal with the crisis, including the mobilization of domestic emergency resources (financial and material); (vi) training of appropriate manpower to deal with emergency situations; and (vii) strengthening the response capacity of the donor community to emergency situations in individual countries. These are no doubt areas which should be strengthened so that national and international reactions to future crises would be effected on time and in a well integrated, co-ordinated and coherent manner.

36. The comprehensive national data on critical emergency, short- and medium-term needs now being prepared by the Special Representative should be completed and analysed as early as possible and forwarded to the governments of the affected countries, UN agencies, bilateral and multilateral donors and non-governmental organizations. The responsibility for keeping them up to date should continue to be that of the Special Representative in co-operation with member States, representatives of UN agencies and the UN Resident Co-ordinators.

37. Improved national mechanisms for identifying critical needs, monitoring developments and supervising assistance received would be enough at this stage. Co-operation between such government mechanisms and multilateral and bilateral donors in each country should be strengthened and revitalized. These national mechanisms should take full advantage of the Special Representative and his Nairobi Office who should join hands with FAO, WFP, UNDRO, WHO, UNICEF and others in mobilizing additional resources and technical support to fill the gap.

38. We are most grateful to those donor countries and financing institutions that have so far responded favourably. We wish to appeal to them to continue to provide such support on an increased scale and to those that are yet to respond to do so without delay. We hope that the international community will not

wait until the emergency has deteriorated resulting in too many losses of lives of human beings and livestock before rushing assistance.

39. We appeal to the countries that are in a position to do so to provide logistical support in airlifting aid to the affected countries so as to ensure that such aid reaches the vulnerable groups. In this connection, we strongly appeal for full and effective support by the international community for the second International Conference on Asistance to Refugees in Africa (ICARA II) which is scheduled to take place in Geneva from 9 to 11 July 1984.

40. We urge the Secretary-General to continue to sensitize the international community, particularly donor countries in the industrialized world as well as developing countries that are in a position to provide emergency assistance. We have no doubt that the Secretary-General will involve the Special Representative on African Economic Crisis in this exercise.

41. In order to enable the affected countries to be able to cope with the emergency situation, we appeal to IMF and IBRD to liberalize the conditionalities of their loans and aid and to all creditors to grant a moratorium to loan servicing and repayment to these 24 countries. In view of the serious shortage of essential basic manufactured goods, resulting from shortage of foreign exchange to pay for necessary industrial inputs, including industrial raw materials and spare parts, we strongly appeal for both immediate balance-of-payments support and direct credits to enable the countries concerned to reactivate their under-utilized industrial capacities.

42. If the emergency situation does not improve between now and our eleventh meeting and the twentieth session of the Commission in April 1985, we mandate the Executive Secretary of ECA to convene an emergency session of the Commission either on his own initiative or at the request of one or more member States.

43. We urge ECOSOC to recommend to the General Assembly of the United Nations a review of developments in the emergency situation at its 39th session. To facilitate such a review, the Secretary-General, with the assistance of his Special Representative, should provide an up-to-date account of the emergency situation and the response of the international community to it.

III. SHORT- AND MEDIUM-TERM MEASURES

44. In addition to the emergency measures elaborated in the previous section, we will review in this part the preparedness, prevention, reconstruction and rehabilitation measures that need to be initiated in the short and medium term. We address this part mainly to our member States for appropriate action at the national, subregional and regional levels and also to the international community. It is emphasized that the short- and medium-term measures arise directly from the emergency measures, and both must be consistent with the long-term policy objectives which will be elaborated later.

National level

45. The immediate task in the short and medium term should focus on the rehabilitation and reconstruction of the major economic sectors, particularly agriculture, industry and infrastructure. The policy-mix which is required to cope with these problems will vary from country to country not only because of geographical location and differences in the levels of their development but also because of the degree of suffering and the impact of drought on the economies of these countries.

46. Within this framework, we undertake to implement measures which will include, inter alia, better use and application of existing weather and climatic information with a view to improving the operational practices in agriculture, including the introduction of drought-resistant crops, water management and energy; elaboration of integrated and realistic range

management strategies that would ensure an optimal rationalization of livestock production at all times in line with the carrying capacity of the range lands; putting land back into cultivation; reducing post-harvest losses; establishing a judicious balance between production of food and production of export crops; introduction of technology packages for increased food production; returning to a greater dependence on locally grown food crops and promoting substitutes for food imports; increasing fish output; exploiting water resources for irrigation in low rainfall, drought-prone areas by making use of conservation techniques in water use, including the use of water catchment. Since firewood is a principal renewable source of energy in Africa, priority would be given to afforestation and re-afforestation including fuelwood plantation, village and family woodlots and greenbelts. With respect to industry and infrastructure, we will take measures that would include the removal of input bottlenecks, particularly energy, raw material and spare parts; the utilization of idle industrial capacity and the adoption of energy saving methods; and improved transport services. We also undertake to enhance capacity for research and data collection, analysis and dissemination, and manpower training and institutional development in connection with drought-related activities and requirements.

47. The successful implementation of these measures calls for the introduction and/or strengthening of the following policy objectives: mobilization and optimal utilization of scarce resources, including foreign exchange, foreign aid and technical assistance; provision of appropriate incentives to producers in all sectors of the economy, including a policy for income stabilization for farmers; improvement of national institutional and administrative structures and support mechanisms; creation of a desirable environment for the development of entrepreneurship, particularly in the productive sectors; mobilization and sensitization of the entire population for effective participation in the implementation of the

rehabilitation and reconstruction measures; and, ensuring the achievement of socio-economic equity and justice.

Subregional and regional levels

48. The fight against drought and desertification in the continent is a matter of life and death and must therefore, be tackled on an all-Africa basis and should begin immediately in earnest. We undertake to implement, individually and collectively, the Regional Plan of Action to Combat the Impacts of Drought in Africa as adopted by the Scientific Roundtable on the Climatic Situation and Drought and approved by our Conference during the current session.

49. We undertake to strengthen regional co-operation so as to better cope with the crises. Measures in that regard would include encouraging inter-state exchange of data, information and studies on the climatic and impact aspects of drought and the human response to it; encouraging regional and subregional training and research centres to intensify their drought-related training and research activities particularly in arid agriculture zone; and, promoting regional and subregional co-operation in agricultural development, industrial devevelopment and trade, finance and transport and communication.

International level

50. At the international level, the essential elements of crisis management in the short and medium term is to secure adequate relief measures as well as to provide support for reconstruction and rehabilitation programmes. In this context, we call upon the international community to adopt measures in the following areas.

(a) Improvement of export earnings

51. In order to restore growth, African countries must rely essentially on their own resources which,

given their current production structures, rely heavily on export earnings derived from primary commodities. It is therefore necessary to devise special short-term arrangements which will ensure that African countries export earnings are stabilized at remunerative levels. In addition, measures should be adopted for the implementation of the Integrated Programme of Commodities, especially the entry into force of the Common Fund, which UNCTAD has been sponsoring since its fourth session in 1976. The speedy conclusion of commodity arrangments, such as those considered within the framework of the successor agreement to the ACP-EEC Lome II Convention, is also an important element for the realization of this objective.

(b) Increase in multilateral concessionary financing and improvement in international monetary arrangements

52. Since multilateral concessionary financing is a major source of development financing in the African countries confronted with economic crisis, due consideration should be given to restoring and maintaining of (i) the sixth replenishment of IDA to a level of at least $US 12 billion; (ii) the country Indicative Planning Figures (IPFs) of the third UNDP programming cycle at the previous levels; and (iii) the early replenishment of International Fund for Agricultural Development (IFAD). In this respect, the major donor countries should commit themselves, individually or collectively, to those three specific targets. Moreover, negotiations for the seventh replenishment of IDA should be completed as soon as possible at a level which would reflect a substantial increase of resources in real terms. In this connection, we urge that Africa, because of its being the least developed region within the developing world, and because of its current grave economic crisis, its share of IDA resources should not only be maintained but should also be substantially increased. Additionally, there is urgent need for general purpose flows and technical assistance to

these countries at rates exceeding their historical levels and magnitudes to ensure the effectiveness of the implementation of the recovery programme. Donor countries whose aid has not yet reached the agreed target of 0.7 per cent of their GNP to developing countries and of 0.15 per cent of their GNP to the least developed countries are urged to do so as soon as possible in accordance with the International Development Strategy for the Third United Nations Development Decade and the Substantial New Programme of Action for the Least Developed Countries in the 1980s. Also important is the need to liberalize the IMF conditionality, including facilitation of access to other IMF windows such as the importation of cereals. The IMF is also urged to make special allocations of SDRs to developing African countries and particularly to establish a link between SDRs and development needs in Africa. In addition, we appeal to the World Bank, regional development banks and other multilateral financial institutions to restructure their lending programmes and policies as well as their aid disbursement procedures in order to assist in meeting the rehabilitation and reconstruction needs in Africa within the context of the current crisis.

(c) Debt relief programmes

53. In view of the critical financial difficulties of many African countries, the creditor nations and institutions should urgently consider specific measures aimed at reducing the debt burdens of the African countries. Debt rescheduling schemes should therefore be revised for both official and private debts of African countries taking into account the various proposals for dealing with the debt problems which are being considered by the international community. For official debt, it is important that rescheduling under the aegis of the Paris Club be extended to a larger number of African countries and not restricted to only a few. The rescheduling should also endeavour to take into account the necessity to cover a longer period with new terms and conditions, including an immediate reduction of

the interest rates and, thereafter, a "cap" thereon based on the balance of payments and, development finance needs of the countries concerned. Overall, the framework of debt rescheduling should be geared to the support of the growth and development of the debtor countries of Africa. Countries concerned should also be assisted in establishing appropriate guidelines for private debt rescheduling with a view to strengthening their access to external finance and supporting growth and development. For emergency debt relief measures which are being taken by multilateral development lending institutions in many African countries, it is essential that the assistance provided should be in an amount which is not less than the debt obligation of the borrower to those institutions. In addition, we strongly urge immediate financial assistance in the form of debt relief and balance-of-payments support for African LDCs with a view to achieving total cancellation of their outstanding debts as has already been done by a few donor countries.

54. We attach as Annex I to this memorandum, the views of Africa on its external indebtedness together with recommendations as to what actions we would like the international community to take thereon. These recommendations have been adopted by our colleagues, the African Ministers of Finance, at a special ECA/OAU/ADB Conference on Africa's Indebtedness held in Addis Ababa in June 1984. We strongly appeal to ECOSOC, the General Assembly and to the international community to give serious and positive consideration to the proposals contained in this annex.

(d) Increased balance-of-payments support

55. We also wish to underscore the urgent need for increased balance-of-payments support on appropriately concessionary terms to enable African countries meet their critical import requirements, particularly industrial raw materials, energy products, other intermediate inputs and spare parts. This is expect-

ed to remove basic bottlenecks on production and enhance capacity utilization.

(e) Enhancement of the effectiveness of multilateral assistance to Africa

56. We call on bilateral and multilateral donors to pay attention to such aspects as assistance in building up domestic capabilities in project preparation, selection of adequate technical assistance and project experts, including utilizing local experts and provision of less costly and the most appropriate equipment and machinery utilizing local material. Improved co-ordination and consultation between the donor community and recipient countries is an important element in the process of ensuring the most efficient and effective utilization of the resources made available to African countries. Bilateral and multilateral donors are also urged to give due respect to the development objectives and priorities of develcping African countries.

57. We express concern over the shift away from multilateral to bilateral forms of assistance which has become increasingly apparent in recent years. In this respect, we request the Secretary-General to consider the establishment of a high powered Commission to evaluate multilateral and bilateral assistance to Africa with a view to improving the effectiveness of the former and its complementarity to the latter. We note with interest the growing tendency on the part of major donor countries to co-ordinate their aid programmes to Africa. Indeed, seven OECD countries - the United States of America, the United Kingdom of Great Britain and Northern Ireland, Canada, the Federal Republic of Germany, France, Italy and Belgium - have for some years now established "Co-operation for Development in Africa" (CDA) for this very purpose and the Executive Secretary of ECA has been invited, from time to time, to participate in some of their major activities. Since the process initiated by the distinguished Secretary-General of the United Nations began, there is a growing awareness on the part of both bi-

lateral and multilateral donors to co-ordinate their activities at the national level in order to increase their capacity to cope with the crisis. We also welcome this development and would like it to extend to the subregional and the regional levels not only for emergency purposes but also for short and medium term as well as long term assistance. Accordingly, we strongly urge ECOSOC to support our proposals for the setting up by the Secretary-General, as early as possible, of a high-powered Commission on Multilateral and Bilateral Assistance to Africa. We urge that while the Commission is being set up and doing its work, the international community should continue its efforts to strengthen multilateral assistance.

(f) Industrial redeployment for crisis management

58. Given the high dependency of Africa on imports of almost all industrial goods in general and also due to the urgent need to increase our capacity for raising food production, we call upon members of the international community to:

(i) support programmes for the development of industries for production of small-scale irrigation equipment, agricultural inputs, including agricultural tools and implements;

(ii) offer assistance in the processing of raw materials and intermediate inputs and rehabilitation and upgrading of existing plants in African member States;

(iii) increase support to the development of capacity for the utilization of renewable sources of energy, especially biomass and solar energy;

(iv) support the establishment of the engineering capacity for production of spare parts and components and offer in-plant training in this area; and,

(v) offer support for the development of local capability for project design and preparation.

IV. LONG-TERM STRUCTURAL ADJUSTMENT

59. The Lagos Plan of Action and the Final Act of Lagos have elaborated, inter alia, the long-term measures required for the transformation of Africa from its present dependent situation to a fully self-sustained economic community. Consequently, in this part of the Memorandum, we have refrained from a detailed discussion of long-term structural adjustment measures. Both documents are based on the fundamental principle that long-term stable growth is concomitant upon the adoption of structural transformation measures and the promotion of regional and subregional economic and technical co-operation. In this connection, we seize this opportunity once more to reaffirm our commitment to both the philosophy and objectives of the Monrovia Strategy for the Economic and Social Development in Africa, the Lagos Plan of Action and the Final Act of Lagos and the International Development Strategy for the Third United Nations Development Decade. We recall our Addis Ababa Declaration on the occasion of the Silver Jubilee Anniversary Celebration of ECA in 1983 where we solemnly resolved "to implement the goals, objectives and philosophy of the Lagos Plan of Action and the Final Act of Lagos in the full understanding that the burden of developing our economies for the purpose of continuously raising the standards of living of our peoples rests with our governments, and our people". However, unless a full and sustained recovery in the world economy and a New International Economic Order are achieved, our task would be extremely difficult.

60. Given the seriousness of the current economic crisis and its long-term implications, a few points need to be highlighted here. Since it is evident that

drought is a recurrent and aperiodic phenomenon in several parts of Africa, drought-stricken and drought-prone countries need to adopt long-term measures that would adapt their planning systems to this reality with a view to devising strategies and policies that would make their economies more resilient and less vulnerable and dependent on the vagaries of climatic variability and drought. In this way, the impact of drought on their population, environment and economies will be minimized.

61. In view of the devastating impact of drought and desertification on the African economies, populations and environment, we emphasize the need to gain more knowledge of the causes and mechanics of drought in Africa and of better methods for the detection of drought to make long-term planning more meaningful. In this context, the relevant United Nations Organizations and the international scientific community are called upon to further intensify their efforts and make this knowledge available to African countries.

62. Agricultural production systems also need to be re-oriented to take into account the drought reality. In this context, it is essential that a shift from rainfed cultivation practices to irrigated agriculture should constitute an integral part of our long-term development strategy.

63. There are other important elements of medium- and long-term development problems facing the continent, which should also be borne in mind. Such problems have been dealt with at length in the Lagos Plan of Action, in the ECA and Africa's Development 1983-2008: A preliminary perspective study, as well as in other relevant documents and need not be detailed here. However, the following are some of the salient features to be emphasized in a long-term framework:

- Human resources development which is essential in view of the specific manpower requirements

of the different sectors, including in particular, the development of entrepreneurs as well as producers;

- the successful implementation of the United Nations Transport and Communications Decade for Africa whose second phase was launched in February 1984 in Conakry at the end of the fourth meeting of the Conference of African Ministers of Transport, Communications and Planning would enable Africa to strengthen regional co-operation, provide increased services and open up the regional market;

- the implementation of Industrial Development Decade for Africa which would enable the region to embark on an increased processing of its important natural resources along with the establishment of a base for an internally-generated development which links industry with other sectors such as agriculture, energy, human resources, infrastructure and trade;

- development of hydro-electricity along with irrigation schemes as a long-term solution to a better energy balance with reduced dependency on oil; and,

- diversification of trade structures in terms of both commodities and markets within the framework of the mechanisms which are being set up in the region for promoting intra-African trade.

V. CONCLUSION

64. We, the Ministers responsible for Economic Planning and Development of the Economic Commission for Africa nave prepared this special memorandum because of our firm conviction that the decision which will be taken by the United Nations Economic and Social Council will not merely be a political gesture, but will lead to concrete action by the international community on the worsening economic situation in Africa. We therefore invite ECOSOC and, through it, the General Assembly, to consider very carefully the views and concrete proposals put forward in this document.

65. We also invite the international community to respond positively, magnanimously and speedily to this Memorandum so that Africa can be assisted to cope effectively with the crisis. We are convinced that Africa has the capacity to lay the foundations for rapid socio-economic transformation once it is able to surmount its current crisis.

66. We are most anxious that our continent should not continue to be the weakest link in the network of world economic interdependence. Africa has to strengthen its development capacity so that its peoples can enjoy a respectable standard of living and political and social stability can prevail. We are convinced that given the necessary support from the international community, we are capable, in the not-too-distant future, of establishing at national, subregional and regional levels truly dynamic, self-reliant and interdependent economies, capable of functioning as effective partners in the international economic system. It is also our firm conviction that it is in the interest of world peace and stability, for the entire international community to do all in its power to co-operate fully with our respective governments in averting the impending economic and social disaster and in putting our continent on the path of growth and development, stability and peace.

ANNEX I

THE ADDIS ABABA DECLARATION ON AFRICA'S EXTERNAL INDEBTEDNESS

Adopted by the African Ministers of Finance
at their

Regional Ministerial Meeting on Africa's External
Indebtedness held in Addis Ababa, Ethiopia
from 18 to 20 June 1984

PREAMBLE

1. We, the Ministers of Finance, meeting in Addis Ababa for the Regional Ministerial Conference on Africa's External Indebtedness reaffirm the solidarity of our peoples and the unity of our countries in the framework of the Charter of the Organization of African Unity;

2. We are gravely concerned about the alarming deterioration in the economic and social condition of the African countries and about the devastating impact on those countries of the adverse global economic environment and further increasing the burden of their external indebtedness;

3. Recognizing that the primary responsibility for the development of our economies and the management of our external Debt rests with our governments and our peoples, we are convinced, that the efforts and measures to be adopted at the national, subregional, regional and interregional levels are not sufficient to surmount the crisis, therefore, we firmly believe it is essential that they be complemented and reinforced by sufficient external support by developed countries and international financial institutions;

4. We reiterate our support of the "Special Memorandum by ECA Conference of

Ministers on Africa's Economic and Social Crisis" adopted at the Nineteenth Session of the Commission held in Addis Ababa from 24 to 28 May 1984;

5. We reiterate the commitment of our governments to implement fully the Lagos Plan of Action and the Final Act of Lagos adopted by our Heads of States and Governments in 1980, aiming at the integration of the economies, resources and energies of the African countries through the adoption of measures to deal with the present grave economic and social crisis;

6. We recall the Declaration adopted by the Seventh Summit Conference of the Non-Aligned countries at New Delhi in March 1983, and in particular its provisions related to:

- enhancing collective self-reliance between the Non-Aligned and other developing countries;

- the need to adopt immediate measures to cope with the economic crisis facing the Non-Aligned and other developing countries;

- accelerating the efforts to reach an early launching of the Global negotiations in a two-phased approach with a view to promoting a restructuring of international economic relations in the context of the establishment of the New International Economic Order;

7. We also reaffirm our solidarity with the other members of the Group of 77 as it has been reflected in the Caracas Programme of Action adopted by the High Level Conference on Economic Co-operation among Developing Countries; the Arusha Programme for Collective Self-Reliance and framework for Negotiations; and the Buenos Aires Platform of April 1983.

8. We, therefore, resolve to maintain the regional unity which is an essential requisite for our development, the realization of which should be facilitated by the joint adoption of measures dealing with the grave problem of the external indebtedness of Africa.

9. Part I of this Annex deals with the aggravation and causes of the external indebtedness of African countries while Part II deals with the measures required to be taken at national level to deal with the debt crisis. Part III outlines actions required at subregional, regional and interregional levels while Part IV deals with the role of the international community to deal with the debt situation. Part V is a summary of conclusions.

I. THE WORSENING INDEBTEDNESS OF AFRICAN COUNTRIES AND ITS CAUSES

10. During the 1970s, all developing countries made considerable efforts to increase their GDP in line with the set objectives of the United Nations Development Decade. The high level of investment maintained in developing countries through growth in national savings and increased external debts also had a beneficial effect on the international economic situation, softening the effects of the recession in the industrialized countries.

11. The strategy for the accelerated development of the Third World was well received by private banks in developed countries which, after a brief recession, saw the strategy as an opportunity for recycling their over-abundant surplus capital. Thus, the growing external debt of the third world was justified by the stagnation of official development assistance from industrialized countries, the availability of private loans at rates of interest which were low or negative during periods of inflation, and the prospects for an upturn in world economic activity from 1976 onwards.

12. Events which could not have been foreseen at that time have completely changed the situation and caused in the third world the serious debt crisis which although more dramatic elsewhere has hit

African countries hardest. Those events include in particular:

(i) The recession into which the industrialized countries were plunged in the early 1980s after a brief economic upturn, which caused a drop not experienced since the Great Depression in prices of primary products exported by African countries in particular and a serious deterioration in their terms of trade;

(ii) The combination of liberal fiscal and budgetary policies with tight monetary policies in some of the leading industrialized countries, resulting in a massive increase in budget deficits and signalling a general increase in interest rates. That trend affected developing countries, especially African countries, in three ways:

- It increased the interest to be paid on commercial credits, especially loans contracted at variable rates. With the slow-down in inflation, the real interest rates, the nominal rate weighted by a deflator reflecting the amount of inflation, which were low or-even negative during the 1970s, reached unprecedented levels of 10 or more per cent in 1982;

- It caused the dollar to appreciate substantially between 1980 and 1984 and hence increased the debts owed by African countries, which had to settle them with considerably reduced export earnings; and

- It caused an upsurge of protectionism in the major export markets of African countries.

(iii) The increasing privatization of financial flows to Africa during the last decade and the hardening terms governing them led to a sudden and the widespread decrease in bank loans granted to Africa owing to the irrational fears of debt service difficulties of developing countries and a slow-down in flows of private foreign investments which led to:

- The squeeze in international liquidity made available to African countries; and

- The failure of many industrialized countries to honour commitments to stabilize export earnings and provide official development assistance, particularly to the least developed countries.

13. Africa's external debt, which is currently about 150 billion dollars, might seem small when compared to the corresponding figures of $785 billion for the whole of the third world at the end of 1983. It is however a very heavy burden for the African continent for two reasons:

(i) The rates of overall debt and debt servicing as compared to exports are respectively 223.5 and 25.1 per cent, far ahead of Asia (81.4 per cent and 10.8 per cent respectively) and closer to Latin America (288.5 per cent and 44 per cent);

(ii) The available margin for internal adjustment policies is much smaller in Africa because of the large number of countries that are classified as least developed countries facing the vagaries of the weather and food problems.

14. The increasing debt burden, which in Africa initially affected the oil-importing countries, has now spread to oil-exporting countries which no longer have surplus funds. In 1983 alone, 15 African countries were forced to accept harsh terms in order to restructure their public and private debts. The stringency of the conditionality imposed on them delayed disbursement and further impaired the efficiency of IMF intervention in that connection.

15. Indeed, although at the international level, particular attention has been focused on the major debtor developing countries which, although more prosperous, could if they defaulted, place the financial institutions of some industrialized countries in jeopardy, no particular attention has been paid to the case of many African countries whose poverty has prevented them from obtaining more loans. The latter's liquidity problems have not always been presented as major debt problems but as arrears in payment and drastic cutbacks in imports of essential commodities, causing a slow-down in national output and a scarcity of essential commodities, especially food-stuffs.

16. The intervention of international financial institutions, has often been confined to the short-term impact of the crisis without contributing to long-term solutions.

II. MEASURES TO BE IMPLEMENTED AT THE NATIONAL LEVEL

17. Although it should be stressed that the indebtedness crisis facing developing countries, particularly the countries of Africa, is largely attributable to external factors, African countries recognize that there are also internal causes. Many African countries have already made considerable efforts to adopt more stringent fiscal policies, adopt more realistic exchange rates for their currencies, restructure their productive capacities to promote exports, seek greater food self-sufficiency and establish bodies to manage their external debts. We feel that our countries should continue to take appropriate measures. Such efforts however, have their limits: external stability cannot long be maintained at the expense of internal equilibrium; profitability cannot be allowed to take precedence over social welfare any more than economic stability can be bought at the price of political destabilization.

III. MEASURES AT SUBREGIONAL, REGIONAL AND INTERREGIONAL LEVELS

18. We firmly believe that the external debt of our countries can also be ameliorated by supplementing national action with concerted measures for collective self-reliance through existing subregional, regional and interregional economic groupings. We therefore reaffirm our commitment to the Lagos Plan of Action and the Final Act of Lagos calling for the establishment and/or strengthening of subregional and regional financial and institutions to deal with the African monetary problems, such as the payments and clearing arrangements, development banks, an African Monetary Fund and an African mutual guarantee and solidarity fund. More specifically, in order to deal with the current external debt crisis, we propose the following:

(i) that African countries should do everything possible to encourage the exchange of information, whether bilaterally or through African multilateral bodies, between interested countries on refinancing and rescheduling terms under negotiation or already agreed upon with international financial bodies and institutions;

(ii) that African individual private and public investors should be encouraged, through appropriate incentives, including inter alia, bilateral and multilateral

agreements, to invest their resources in other African countries. This would improve the liquidity of the countries thereby reducing the need for external borrowing;

(iii) that African instituions, such as the African Development Bank Group, the Arab Bank for Economic Development in Africa (BADEA) and subregional development banks, should continue to re-examine their lending policies to ensure that they increase their financing of investment activities which would assist in alleviating the external debt burden. They should also play an increasing role in the identification and preparation of sound and economically viable investment projects in the member States; and

(iv) that as part of a concerted development strategy, Arab and African countries should work to enhance their co-operation in compliance with the Cairo Declaration of 1977 and subsequent decisions and recommendations.

IV. MEASURES AT THE INTERNATIONAL LEVEL

19. The world economic recovery will be difficult so long as developing countries, in particular African countries, have to grapple with a lasting external debt crisis. Furthermore, the industrialized countries share the responsibility for the Third World's indebtedness, which results in part from historical circumstances and in part from the developed countries' shifting to the developing countries of an excessive share of the burden of adjusting to the world economic crisis. Finally, banks in the industrialized countries have contributed largely to the increasing indebtedness of the Third World, which they have made to bear the brunt of fluctuating interest rates on increasing amounts and on which they have imposed debt rescheduling terms extremely profitable for the creditors but onerous for the debtors. This situation calls for concerted international action to cope with the debt crisis rather than the mere admonishment of developing countries to put their houses in order. In this context, the particularly serious crisis that Africa is undergoing deserves priority attention from the international community.

20. We take note of the conclusions of the Summit Conference of the Seven Industrialized Countries which took place in

London from 8 to 9 June 1984, and in particular their pledge to encourage a more extended multi-year rescheduling of commercial debts and standing ready, where appropriate, to negotiate similarly in respect of debts to governments and government agencies. We therefore urge these major creditor countries to implement such pledge equitably and at earliest opportunity in favour of interested African debtor-countries to maintain and wherever possible increase flows of resources, including official development assistance and assistance through the international financial and development institutions, to the developing countries and particularly to the poorest countries; to encourage the flow of private investment to interested African countries; and to effectively support efforts undertaken by African countries to conserve resources and enhance food and energy production.

21. We have therefore carefully considered the following set of measures which need to be taken at international level to assist our countries to redress the adverse impacts of external indebtedness on our development prospects. We have identified several broad critical areas which require immediate attention. These are (a) specific debt relief measures; (b) balance of payments support; (c) increased resource flows into Africa; (d) measures against rising interest rates; and (e) alleviation of external debt through fair trade practices.

(a) Specific debt relief measures

22. As the international community considered UNCTAD Trade and Development Board resolutions 165(S-IX) and 222(XXI) and conference resolution 161(VI) as a common basis for guidance in dealing with the external debt problems of developing countries, we reaffirm our support of these resolutions. Hence, we urge the developed countries to adopt measures to relieve the debt burdens of the poorer developing African countries. We therefore call upon the developed creditor governments, and private lenders to seriously consider the following measures:

(i) Full implementation on a non-discriminatory basis by industrialized countries of UNCTAD resolution 165(S-IX) concerning retroactive adjustment of the public external debt, and total or partial cancellation of external debts of developing African countries, in particular, the least developed countries and those most seriously affected especially those most seriously affected by natural calamities especially the drought;

(ii) Fuller implementation of the internationally agreed features for debt reorganization contained in resolution 222(XXI) and endorsed by the Trade and Development Board in March 1984 would make a substantial contribution towards improving the process of debt rescheduling. In this connection, we urge that the period for consolidating debt service due be at

least five years and repayment period for the consolidated amounts be not less than 15 years (including substantial grace periods). We further urge that these measures be adopted without any discrimination as regards eligible countries. We are painfully aware that despite the temporary relief which debt rescheduling offers, the high costs involved are detrimental to our economic well-being. In such cases, a rescheduling of debt repayments only brings short-term relief, and unless the underlying economic causes such as decline or stagnation of exports, coupled with increased import burdens, are fully addressed, the debt problem is merely postponed and renewed negotiations become necessary a year or two later. The process of debt-reorganization should have a longer perspective and designed to provide sufficient time over which structural adjustment measures can be implemented. The debt rescheduling should also be designed in such a way as to improve the credit-worthiness of the African countries;

(iii) A moratorium for at least 3 to 5 years on debt servicing of both public and private lenders including the conversion of a substantial part of the debt service obligations of African countries into grants;

(iv) The debt services should not be allowed to exceed a reasonable percentage of the export earnings and the Gross National Product (GNP) of our countries. This would enable the countries to obtain

the much needed financing of structural adjustment programmes thereby improving the credit-worthiness of our countries;

(v) The introduction of fairer and more far-reaching multilateral arrangements for reorganizing African countries' debt-servicing obligations.

(b) Balance-of-payments support

23. The African countries' debt burden is further aggravated by their growing current account deficits. This problem therefore needs to be tackled with due regard for the fact that their balance-of-payments deficits are structural in character.

24. We take note of the facilities established by the International Monetary Fund (IMF) in dealing with the balance-of-payments problems of some of our member States. However, due to the deepening external debt crisis, such measures are not often adequate to redress the problem. Consequently, in order to help our countries to resolve the current external debt problem, especially in the context of the current economic crisis of African countries, the IMF should adopt more concrete measures for balance-of-payments support at an increased level.

25. More specifically we appeal to the Board of Governors of the International Monetary Fund to consider urgently the following measures:

(i) Relaxation of its conditionality for balance-of-payments support taking into account the current serious debt crisis. It is a matter of concern that our countries are often forced to adopt austerity measures, such as systematic devaluation. However, in most of our countries which are largely dependent on primary commodities for export earnings and where the manufacturing base is narrow, such measures often exacerbate rather than ameliorate the debt crisis, in so far as export earnings cannot increase significantly over a relatively short period;

(ii) A substantial extension of the present period over which IMF contemplates adjustments required to correct the imbalances in the current accounts shall be implemented in its credit tranche policies. Because of the deep-rooted nature of Africa's socio-economic crisis, a period of 5 to 10 years at low interest rates for such adjustment is required;

(iii) A more rational evaluation should be made of each country facing balance-of-payments problems, so as to assess more accurately, the level of the current account deficit of the country concerned. This should be followed by the provision of appropriate financing to correct the structural imbalances; and

(iv) The Extended Fund Facility should be liberalized by extending the repayment period to more than 10 years, made more accessible to Fund members, and more fully integrated with the World Bank's Structural Adjustment Programmes.

(c) Increased resource flows into Africa

26. On account of the substantial reduction in private resource flows to Africa, official development assistance will have to be increased bilaterally and multilaterally to maintain adequate resource transfers to Africa. We therefore suggest the following measures:

(i) Increased flows of concessionary resources, through the African Development Fund, to the least developed African countries and especially those which are most seriously affected by natural calamities, especially the drought;

(ii) The World Bank should increase its allocation of resources to Africa to cope with the current external debt crisis. To this end, Structural Adjustment Lending (SAL) should be expanded, both in scope and duration, to offer more assistance to all African countries and to spread over a longer period. At the same time, Structural Adjustment Lending should constitute its major lending programme;

(iii) We take note of the Special Action Programme on Sub-Saharan Africa undertaken by the World Bank, and we call for providing enough financing at IDA concessionary terms for the implementation of the said Special Action Programme. We urge all donor countries to adopt a resolute action to assist this region to surmount the current crisis facing its member countries;

(iv) The Seventh IDA replenishment which has been negotiated at the amount of $9 billion, falls short of the needs of African countries. We, therefore, urge that negotiations for supplementary funding of at least $3 billion be finalized as soon as possible. At the same time, the share to Africa of existing and new IDA resources should be significantly increased to take into account of the current economic crisis facing the continent;

(v) We urge that the resources at the disposal of the International Monetary Fund should be significantly increased. At the same time, a decision to allocate additional Special Drawing Rights (SDRs) is required. The International liquidity issue should also be reviewed in that context to meet the pressing needs of the African countries. In the overall allocation of the increased resources of the IMF, we are concerned that in the past, Africa's share was relatively smaller although its needs were evidently greater. We therefore urge that Africa should have an increased share of SDR allocation to meet the current economic crisis; and

(vi) We call upon the international community to fully implement, without delay, the Substantial New Programme of Action (SNPA) for the Least Developed Countries adopted at the United Nations Conference on the Least Developed Countries held in Paris in September 1981. In particular, there should be an increased flow of multilateral and bilateral resources on more favourable concessionary terms to enable LDCs to generate self-sufficient growth rates.

(d) Measures against rising interest rates

27. High interest rates in industrialized countries continue to be a major concern in our efforts to manage external debts. Therefore, in addition to the proposals relating to debt service payments, we appeal to the industrialized countries to consider the following measures:

(i) To promote more stringent fiscal and budgetary policies and greater monetary flexibility so as to help reverse the current trend of rising interest rates;

(ii) To reduce the present levels of international interest rates bearing in mind that the increased debt burdens therefrom would have a negative effect on the credit-worthiness of the African countries;

(iii) If development objectives are not to be jeopardized, an agreement should be reached on setting a ceiling on interest rates;

(iv) Accumulated arrears in interest payments, especially those resulting from recent increase in the levels of interest rates, should be either written off or converted into grants as a way of assisting the borrowing African countries to rehabilitate their economies devastated by the current drought and other natural disasters or suffering from serious chronic balance-of-payments deficits.

(e) Alleviation of external debt through fair trade practices

28. We urge that repayments of foreign debt by African countries should be linked to their export earnings. In particular:

(i) the industrialized countries should remove the protectionist barriers raised against African exports; and

(ii) when African countries incur debts by buying costly equipment from industrialized countries in order to produce and supply goods to the lending industrialized countries under contract, loan repayments should be conditional on such industrialized countries' honouring their contractual purchasing obligations.

29. In view of the serious deterioration of the terms of trade of African countries, international action should aim at promoting price stabilization, at remunarative levels, for the commodities exported to those countries, taking into account the prices of what they import.

V. CONCLUSIONS

30. We fully accept that the responsibility for dealing with the current external debt crisis affecting our countries lies primarily with our own Governments. We recognize also that we must take bold and appropriate policy measures to adopt adjustment programmes to generate and sustain economic growth. However, the external debt crisis is so deep-rooted and its impact so devastating to our economies that international action and support is urgently required. We therefore strongly appeal to the developed countries of the Organization for Economic Co-operation and Development (OECD) and the Council for Mutual Economic Assistance (CMEA) and to the multilateral and bilateral institutions to fully consider new ways of alleviating the external debt crisis in Africa. We further appeal to the Governments of these industrialized nations to urge their private lending institutions to co-operate fully in seeking for lasting solutions to the global debt crisis. To this end, they should take into account the gravity of the global debt crisis and in particular, the special problems facing African countries in not only dealing with the debt crisis but also in resolving the current social and economic crisis now facing all developing African countries.

31. We recommend that the possibility of convening an International Conference to

deal with the External Indebtedness of African countries, where all African countries, all developed creditor countries and multilateral financial institutions would take part should be explored as soon as possible. The measures which should be taken at the international level in this document will be the working paper for the proposed Conference at the end of which measures would be adopted by the developed creditor countries and the international financial institutions to alleviate the debt problems of Africa together with pledging additional financial resources at concessionary terms in favour of the African countries.

32. As the external debt crisis is not an isolated phenomenon but a symptom of the malfunctioning of the international monetary and financial system, a durable solution to this crisis will be achieved in the context of an International Conference on Money and Finance for Development. Such a conference should be held as soon as possible under United Nations auspices.

ANNEX II

Drought-affected and food-aid-dependent countries

1. Angola
2. Benin
3. Botswana
4. Cape Verde
5. Chad
6. Central African Republic
7. Ethiopia
8. Gambia
9. Ghana
10. Guinea
11. Guinea-Bissau
12. Lesotho
13. Mali
14. Mauritania
15. Mozambique
16. Sao Tome and Principe
17. Senegal
18. Somalia
19. Swaziland
20. Togo
21. United Republic of Tanzania
22. Upper Volta
23. Zambia
24. Zimbabwe

Other drought-affected countries

25. Cameroon
26. Comoros
27. Djibouti
28. Ivory Coast
29. Morocco
30. Niger
31. Nigeria
32. Sudan
33. Tunisia
34. Zaire

Litho in United Nations, Addis Ababa (UNECA)
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